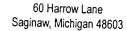
AUDITING PROCEDURES REPORT Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government City X To	Type wnship	Local Government Name To WNSHIP OF	SWAN CREE	County	
Audit Date 3-3/-	Opinion Date	Date Account	ant Report Submitted to Si		ON NAW
We have audited	d the financial statements of ordance with the Statements at for Financial Statements	this local unit of governmental A		Boland (A.B.) Int 9FMicRigan	Melio Uniform
We affirm that:				JUL 2 9	2004
1. We have cor	inplied with the Bulletin for the	e Audits of Local Units of	Government in Mic	igan as revised LOCAL AUDIT & FI	NANCE DIV
_, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	red public accountants regist	ered to practice in Michig	gan.		
the report of com	the following. "Yes" respons ments and recommendations	es have been disclosed	in the financial stater	ments, including	the notes, or in
/	he applicable box for each ite				
yes I no	Certain component unit	s/funds/agencies of the l	ocal unit are exclude	d from the finan	cial statements.
yes no	There are accumulated earnings (P.A. 275 of 19	d deficits in one or mo 180).	re of this unit's unre	eserved fund b	palances/retained
yes no	3. There are instances of 1968, as amended).	non-compliance with the	e Uniform Accountin	g and Budgetir	g Act (P.A. 2 of
yes no	The local unit has violated or its requirements, or a	ed the conditions of eith n order issued under the	er an order issued ι Emergency Municip	inder the Munic al Loan Act.	ipal Finance Act
yes Pno	5. The local unit holds dep of 1943, as amended [M	osits/investments which CL 129.91], or P.A. 55 o	do not comply with s f 1982, as amended	statutory require [MCL 38.1132])	ements. (P.A. 20
yes no	6. The local unit has been unit.	delinquent in distributing	tax revenues that we	ere collected for	r another taxing
yes no	 The local unit has violate earned pension benefits the overfunding credits a during the year). 	momal costs) in the citr	rent vear It the nion	ic more than 10	100/ £ 1
yes no	8. The local unit uses credi 1995 (MCL 129.241).	t cards and has not adop	oted an applicable po	olicy as required	l by P.A. 266 of
yes no	9. The local unit has not add	opted an investment poli	cy as required by P.A	N. 196 of 1997 (MCL 129.95).
We have enclose	ed the following:		Enclosed	To Be	Not 1
The letter of comm	ents and recommendations.	P6 34	Enclosed	Forwarded	Required
Reports on individu	ıal federal financial assistanc				X
Single Audit Report	s (ASLGU).			,	X
Certified Public Acco	untant (Firm Name)	HIAHAME & C	OMPANY C	04 5	
Street Address	untant (Firm Name) BERT,	(F City	AKINA.	State ZIP	1/2/1
Accountant Signature	Then mollor	Pens for	- TO COVIND	771/ 9	18603

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INDEPENDENT AUDITORS' REPORT

Members of the Township Board Township of Swan Creek Saginaw County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Swan Creek, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Swan Creek, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. Supplemental data listed in the table of contents is presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Swan Creek. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

June 10, 2004

Berthiaume & Co.

GENERAL PURPOSE FINANCIAL STATEMENTS

ALL FUND TYPES AND ACCOUNT GROUPS

COMBINED BALANCE SHEET

March 31, 2004

		GOVER FUN	 PROPRIETARY FUND TYPE	
ASSETS	_	General	Special Revenue	Enterprise Fund
Cash and equivalents Investments Taxes receivable	\$	570,621 275,618 10,292	\$ 186,684 - -	\$ 477,318 274,231
Accounts receivable Special assessments receivable Interest receivable Inventory Prepaid expense		- - -	6,890 - - -	24,899 130,016 3,764 8,677
Restricted cash and investments Property, plant, and equipment, net Advance due from other funds		45,814	7,660	107,945 2,548,060
Total assets	\$	902,345	\$ 201,234	\$ 3,574,910
LIABILITIES AND FUND EQUITIES				
Liabilities: Accounts payable Accrued expense Due to other governmental units Deposits payable Contracts payable Advance from other funds	\$	6,807 9,243 5,438 81,460	\$ 22,038	\$ 8,338 1,843 - 275 255,000 45,814
Total liabilities		102,948	 22,038	311,270
Fund Equities: Contributed capital Investment in general fixed assets Retained Earnings:		-	-	2,230,355
Reserved Unreserved – Undesignated Fund Balances:		-	-	107,945 925,340
Reserved Unreserved – Undesignated Unreserved – Designated		45,814 593,739 159,844	7,660 171,536 -	- - -
Total fund equities		799,397	179,196	 3,263,640
Total liabilities and fund equities	\$	902,345	\$ 201,234	\$ 3,574,910

	JCIARY D TYPE	 ACCOUNT GROUP General		Totals
Tru.	st and	Fixed	(M	<i>Temorandum</i>
Ag	ency	 Assets	,	Only)
\$	-	\$ -	\$	1,234,623
	-	-		549,849
	-	-		10,292
	-	-		31,789
	-	-		130,016
	-	-		3,764
	-	-		8,677
	-	-		7,660
	-	-		107,945
	-	588,145		3,136,205
	-			45,814
\$	-	\$ 588,145	\$	5,266,634
\$	-	\$ -	\$	37,183
	-	-		11,086
	-	-		5,438
	-	-		81,735
	-	-		255,000
		 -		45,814
	-	 -		436,256
	-	-		2,230,355
	-	588,145		588,145
				107.045
	-	-		107,945
	-	-		925,340
	-	-		53,474
	-	-		765,275
				159,844
		588,145	4,83	30,378
\$		\$ 588,145	\$	5,266,634

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended March 31, 2004

REVENUES	General			Special Revenue	Totals (Memorandum Only)	
Taxes Licenses and permits Intergovernmental: State grants Charges for services Interest and rentals Other revenue	\$	175,618 40,057 175,596 6,625 15,302 4,657	\$	99,216 1,402 2,643	\$	175,618 40,057 175,596 105,841 16,704 7,300
Total revenues		417,855		103,261		521,116
EXPENDITURES						
General government Public safety Public works Community and economic development		169,489 117,026 121,928		- 90,777		169,489 117,026 212,705
Recreation and culture Capital outlay		5,299 14,468 15,467		-		5,299 14,468 15,467
Total expenditures		443,677	~	90,777	·	534,454
Excess of revenues over (under) expenditures		(25,822)		12,484		(13,338)
Fund balances, beginning of year		825,219		166,712		991,931
Fund balances, end of year	\$	799,397	\$	179,196	\$	978,593

GENERAL AND SPECIAL REVENUE FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - AMENDED BUDGET AND ACTUAL

For the Year Ended March 31, 2004

	_		<u>GE</u>	NERAL F	UN	'D		SPEC	ΊΑΙ	L REVENU	E F	UND
						Variance Favorable					V	'ariance
		Budget		Actual	(Unfavorabi		Budget		Actual (U		vorable
REVENUES							-7			Heinar	ngui	voruble)
Property taxes Licenses and permits Intergovernmental:	\$	169,31 30,75		\$ 175,61 40,05		\$ 6,305 9,307		; -	- (-	\$ - -	\$	-
State grants		151,01		175,59		24,578	3	-		-		_
Charges for services		3,72		6,62		2,900		98,898		99,216		318
Interest and rentals		11,72		15,30		3,577		800		1,402		602
Other revenue		3,30	0	4,65	7	1,357	'	5,000		2,643		(2,357)
Total revenues		369,83	1	417,85	5	48,024		104,698		103,261		(1,437)
EXPENDITURES												
General government		201,40	3	169,489)	31,914		_				
Public safety		117,12		117,026		99		_		-		~
Public works		173,220		121,928		51,292		99,376		90,777		8,599
Community and economic				ŕ		,		,-		30,777		0,577
development		9,49		5,299)	4,196		-		_		_
Recreation and culture		21,585		14,468		7,117		-		-		_
Capital outlay		16,935	5	15,467	<u>'</u>	1,468		-		-		-
Total expenditures		539,763	3	443,677		96,086		99,376		90,777		8,599
Excess of revenues over (under) expenditures	(169,932	2)	(25,822)	144,110		5,322		12,484		7,162
OTHER FINANCING SOURCES (USES):												
Transfer to other funds		(100)	-		100		_		_		_
Total other financing sources (uses)		(100)	_		100		-		-		
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(170,032)	(25,822)	١	144,210		5,322		12,484		7,162
Fund balances, beginning of year		325,219		825,219		-		166,712		166,712		, •
Fund balances, end of year	\$ (555,187		799,397	\$	144,210	\$	172,034	\$		\$	7,162
•						, 0	<u> </u>	1,2,05 T	Ψ	1/2,170	Ψ	7,102

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SWAN CREEK

PROPRIETARY FUND TYPE - ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Year Ended March 31, 2004

OPERATING REVENUES:	
Charges for services Other	\$ 228,422 8,710
Total operating revenues	237,132
OPERATING EXPENSES	
Personnel	19,692
Fringe benefits	3,016
Supplies	10,132
Contracted and professional services	18,958
Dues and memberships	3
Education and training	225
Printing and publications	384
Repair and maintenance Purchase of water	5,810
Depreciation	91,430
•	52,229
Total operating expenses	201,879
Operating income (loss)	35,253
NON-OPERATING REVENUE (EXPENSES)	
Interest income	24,857
Interest expense	(21,115)
Total non-operating revenues (expenses)	3,742
Net income (loss)	38,995
Retained earnings, beginning of year	994,290
Retained earnings, end of year	\$ 1,033,285

TOWNSHIP OF SWAN CREEK

PROPRIETARY FUND TYPE - ENTERPRISE FUND

STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$	25 252
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	Φ	35,253
Depreciation		52,229
Change in operating assets and liabilities which (used) provided cash:		32,229
Accounts receivable		(489)
Special assessments receivable		40,231
Accrued interest receivable		945
Inventory		434
Accounts payable		728
Accrued expenses payable Advance from other funds		(47)
		(20,000)
Net cash provided by (used for) operating activities		109,284
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of fixed assets		(7,958)
Principal paid on long-term debt		(105,000)
Interest paid on long-term debt		(21,115)
Contributions from customers		18,850
Net cash provided by (used for) capital and related financing activities	•	(115,223)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments		(10.047)
Net appreciation (depreciation) of investments		(10,947)
Receipt of interest		5,697 24,857
Net cash provided by (used for) investing activities	<u></u>	19,607
Net increase (decrease) in cash and equivalents		
Cash and cash equivalents, beginning of year		13,668
		571,595
Cash and cash equivalents, end of year	\$	585,263

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Swan Creek conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

REPORTING ENTITY:

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township (the primary government) and its component units, if any. The Township currently has no component units.

JOINT OPERATIONS:

St. Charles District Library - The Townships of Swan Creek, Brant, and St. Charles jointly established the St. Charles District Library in 1978. Each township appoints two members to serve as Library trustees.

Tri-Township Fire Department - The Townships of Swan Creek, Brant, and St. Charles jointly established the Tri-Township Fire Department. Each member appoints two representatives to serve on the administrative board of the Fire Department.

Swan Creek Township, James Township, Village of St. Charles Water Authority - The Townships of Swan Creek and James and the Village of St. Charles in 2001 jointly established this Water Authority. Each of the three municipalities appoints two members to serve on the Water Authority Board.

BASIS OF PRESENTATION:

The accounts of the Township are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The financial activities of the Township are recorded in the following funds and account group.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Township maintains a Special Revenue Fund that accounts for refuse operations.

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION (continued):

PROPRIETARY FUND

Enterprise Fund - Water Fund - The Water Fund is used to account for operations that provide water services to citizens, and is financed primarily by user charges or activities where the periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or accountability.

FIDUCIARY FUNDS

Agency Fund - Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations.

ACCOUNT GROUP

General Fixed Assets Account Group - General fixed assets purchased are recorded as expenditures in all funds at the time of purchase. Such assets are capitalized at cost in the general fixed asset account group except for infrastructure such as improvements, roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

TOTAL COLUMNS ON COMBINED STATEMENTS:

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

BASIS OF ACCOUNTING:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income and gross receipts are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances are considered a measure of "available spendable resources." Governmental fund operating statements present increases and decreases in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

The proprietary fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned, and its expenses are recognized when they are incurred.

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

BASIS OF ACCOUNTING, continued:

The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with its activity are included on its balance sheet. Its reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total assets.

The fiduciary funds are accounted for on the modified accrual basis.

BUDGETS AND BUDGETARY ACCOUNTING:

Comparisons to budget are presented for the General and Special Revenue Funds as required by generally accepted accounting principles. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to March 31, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to May 1, the budget is legally enacted through passage of a resolution.
- 4. Budgetary integration is employed as a management control device during the year for all funds except Trust and Agency Funds.
- 5. Budgets for the General and Special Revenues Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget for the General Fund is adopted by activity. In the Special Revenue Fund, budgets are adopted by function with revenue adopted as itemized in the report and with expenditures adopted by budgetary center and reported using the administrative detail for information purposes. A budget is not adopted for the Enterprise Fund.
- 6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621, which was followed during the year ended March 31, 2004. The appropriations ordinances are based on the projected expenditures budget of the department heads of the Township. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Budgeted amounts are as originally adopted, or as amended by the Township Board.

CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consist of savings and certificates of deposit.

INVESTMENTS:

Investments are stated at fair value.

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

RECEIVABLES:

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

INVENTORIES:

Inventories maintained by the Water Enterprise Fund are valued at cost using the first-in, first-out method. Inventories of expendable supplies in other funds have not been recorded and the amount of any such inventories is not considered material. The cost value of such inventory was recorded as an expenditure at the time of purchase.

PREPAID EXPENDITURES:

Prepaid expenditures represent a deposit paid to the Mid Michigan Waste Authority.

FIXED ASSETS:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Depreciation on all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment 7-10 years Water Distribution System 10-75 years

The cost of normal maintenance and repairs is charged to operations as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties.

FUND EQUITY:

Reserves represent those portions of fund equity not appropriate or legally segregated for a specific use. Designated fund balances represent tentative plans for future use of financial resources.

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

PROPERTY TAXES:

Township property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 28. These tax bills include the Township's own property taxes and taxes billed on behalf of Saginaw County and the school districts within the Township boundaries. Real property taxes not collected as of March 1 are turned over to Saginaw County for collection, which advances the Township 100% of its share of the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

The assessed taxable value of real and personal property located in the Township as of December 31, 2002 totaled \$68,757,048 representing 50% of estimated actual value. The taxable value of the industrial facilities taxable, real, and personal property was \$491,200 representing 50% of the estimated current value.

The 2003 tax levy rates are as follows:

	Regular Millage Rate Used	IFT Millage Rate Used
General operating Fire special	.9319 1.50000	.46595 .7500

Property taxes levied in December are recognized as revenue in the current fiscal year.

Taxes collected on behalf of the school districts and Saginaw County are turned over to the districts and the County immediately following collection and are accounted for in a designated agency fund.

ACCUMULATED UNPAID SICK AND VACATION TIME:

No accrual has been made for unpaid sick and vacation time since the amount is not reasonably determinable at March 31, 2004, and is immaterial to the financial statements of the Township.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The Township had no expenditures materially exceeding budgeted appropriations at the activity level, which is the Township's legal level of budgetary control for the year ended March 31, 2004.

March 31, 2004

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS

The Township's deposits at March 31, 2004 are included on the balance sheet under the following classifications:

	Cash and Cash Equivalents	and Cash			tricted Cash and Cash quivalents	Total
Deposits - bank Deposits - Saginaw County Investments held by:	\$ 1,234,423	\$	-	\$	106,659 1,286	\$ 1,341,082 1,286
Investment company Petty cash	200		549,849 -		-	549,849 200
	\$ 1,234,623	\$	549,849	\$	107,945	\$ 1,892,417

DEPOSITS:

The carrying amount of the Township's deposits with financial institutions was \$1,341,082 and the bank balance was \$1,342,870. The bank balance is categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the	he
Township in its name	\$ 259,363
Uncollateralized and uninsured	1,083,507
Total bank balance	\$ 1,342,870

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Township also had \$1,286 cash on deposit with Saginaw County.

INVESTMENTS:

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, or securities held by the Township or its agent in the Township's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Township's name.

March 31, 2004

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS, continued

		Risk Category 1 2 3							Fair Value Carrying Amount		
Government and agency bonds	\$		-	\$	175,092	\$		-	\$	175,108	
Investments not subject to categorization: Linsco/Private Ledger:										,	
Money Market										463	
Mutual Funds										374,278	
Total investments									\$	549,849	

Deposits and investments have been made in accordance with statutory authority.

NOTE 4: RESTRICTED CASH

The Water Fund has \$107,945 of restricted cash in the water extension debt service accounts.

NOTE 5: FIXED ASSETS

The components of fixed assets at March 31, 2004 are summarized as follows:

	Enterprise Fund	eral Fixed et Account Group
Land and improvements	\$ -	\$ 119,169
Buildings and improvements	-	145,421
Equipment	43,748	121,768
Park facilities		201,787
Water distribution system	3,194,067	 -
	3,237,815	588,145
Less accumulated depreciation	 689,755	-
Total	\$ 2,548,060	\$ 588,145

March 31, 2004

NOTE 5: FIXED ASSETS, continued

Changes in general fixed assets are summarized as follows:

	Balance Iarch 31, 2003	A	dditions	Dedu	ections	Balance Iarch 31, 2004
Land Buildings Equipment Park facilities	\$ 117,986 143,646 113,404 197,641	\$	1,183 1,775 8,364 4,146	\$	- - -	\$ 119,169 145,421 121,768 201,787
Total	\$ 572,677	\$	15,468	\$	-	\$ 588,145

NOTE 6 - DEFINED BENEFIT PENSION PLANS

1. Michigan Municipal Employees Retirement System

a) Plan Description

The Township contributes to the Michigan Municipal Employees' Retirement System, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries.

All employees earning more than \$5,000 in compensation with more than three months continuous service are eligible to participate in the plan. Benefits vest after 8 years of service. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0 percent times the final average compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2002.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 [MSA 5.333(a); MCLA 46.12 (a)], as amended, State of Michigan. MERS is regulated under Act No. 220 of the Public Acts of 1996, as emended, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

March 31, 2004

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

b) Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township board and personnel policy, which requires employees to contribute at a rate of 5% of gross pay. The Township is required to contribute at an actuarially determined rate; the current rate was 10.97 percent of eligible payroll based on the December 31, 2001 valuation.

c) Annual Pension Cost

During the fiscal year ended March 31, 2004, the Township's contributions totaling \$11,053 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2001. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

d) Three Year Trend Information

Year	Annual	Percentage	Net
Ended	Pension	of APC	Pension
March 31	Cost (APC)	Contributed	Obligation
2004	\$ 11,053	100%	\$ 0
2003	9,385	100	0
2002	7,605	100	0

March 31, 2004

NOTE 7: WATER CONTRACTS PAYABLE

Contracts payable of the Township consist of the following:

	Interest Rates	Due Dates Through	 Balance 4/1/03	(dditions eductions)	Balance 3/31/04
Water extension #8 Water extension #9 Water extension #10 Water extension #11 Water extension #12 Water extension #14 Water extension #15	7.5% 7.0%-10.0% 6.6%-9.0% 6.8%-9.0% 5.9%-9.0% 5.0% 4.0%-5.75%	9/03 5/04 5/04 5/05 5/06 6/05 6/12	\$ 35,000 25,000 30,000 18,000 52,000 20,000 180,000	\$ (35,000) (10,000) (15,000) (6,000) (13,000) (6,000) (20,000)	\$ 15,000 15,000 12,000 39,000 14,000 160,000
			\$ 360,000	\$ (105,000)	\$ 255,000

Future debt service requirements based on indebtedness as of March 31, 2004:

	_ <i>W</i>	<u>WATER CONTRAC</u>			
Year	1	Principal	Interest		
2005	\$	76,000	\$	12,765	
2006		46,000		8,949	
2007		33,000		6,585	
2008		20,000		5,050	
2009		20,000		3,960	
2010		20,000		2,850	
2011		20,000		1,720	
2012		20,000		575	
Total	\$	255,000	\$	42,454	

March 31, 2004

NOTE 8: CONTRIBUTED CAPITAL

The following is a summary of changes in contributed capital for the year ended March 31, 2004:

	 Balance 4/1/03	A	dditions	Balance 3/31/04
Townships Tap-in fees Special assessments Landowners	\$ 60,601 355,878 1,670,174 124,852	\$	8,250 - 10,600	\$ 60,601 364,128 1,670,174 135,452
Total	\$ 2,211,505	\$	18,850	\$ 2,230,355

NOTE 9: RESERVED AND DESIGNATED FUND BALANCES/RETAINED EARNINGS

The following retained earnings/fund balances have been reserved as of March 31, 20	004:	
GENERAL FUND:		
Reserved for advance receivable - Water Fund	\$	45,814
SPECIAL REVENUE FUND:		
Reserved for prepaid expenditures - refuse deposit		7,660
ENTERPRISE FUND:		
Water Fund:		
Reserved for debt service		107,945
Total reserves	\$	161,419
The following fund balances have been designed for future years' expenditures:		
GENERAL FUND		
Designated for hall improvements	\$	6,622
Designated for cemetery maintenance	Ψ	5,938
Designated for revolving		147,284
	\$	159,844

TOWNSHIP OF SWAN CREEK

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE 10: RISK MANAGEMENT

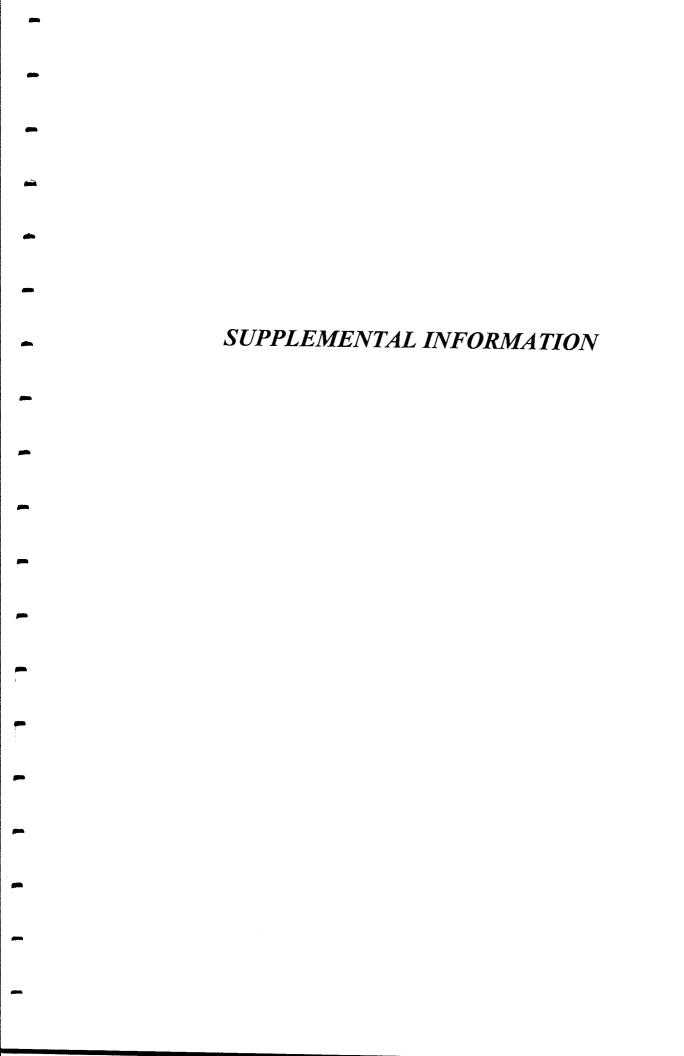
The Township is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees; and natural disasters. The Township carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

NOTE 11: STATE CONSTRUCTION CODE ACT

The Township oversees building construction, in accordance with the state's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

\$	-
	19,714
	23,579
<u>\$</u>	-
	·

In accordance with the new law, \$0 of fund balance in the General Fund has been reserved for future construction code activities.



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•	
•	
•	
•	GENERAL FUND

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STATEMENT OF REVENUES

For the Year Ended March 31, 2004

REVENUES:

Current Taxes:	
Property taxes	\$ 157,430
Penalties and interest on taxes	172
Property tax administration fee	17,976
Payment in lieu of taxes	40
	175,618
Licenses and Permits:	173,016
Non-business licenses and permits	23,739
CATV franchise fees	16,318
	
State Grants:	40,057
Liquor license fees	1.010
State revenue sharing	1,018 170,006
State grants – other	4,572
Charges for Services:	175,596
Zoning/variance application fees	700
Charges for services – other	700 5.035
	5,925
Interest and Rents:	6,625
Interest and Kents: Interest earned	
Rents	14,727
ACAMB.	575
	15,302
Other Revenue:	
Cemetery lots and perpetual care	3,050
Contributions and donations Reimbursements	1,250
Refunds and rebates	80
Miscellaneous/other	213
	64
	4,657
Total revenues	\$ 417,855

STATEMENT OF EXPENDITURES

For the Year Ended March 31, 2004

EXPENDITURES:

General Government:	
Council:	
Personnel	\$ 3,360
Fringe benefits	257
Mileage/auto	84
Education and training	605
	4,306
Supervisor:	
Personnel	12,000
Fringe benefits	2,234
Mileage/auto	59
Clerk:	14,293
Personnel	10.000
Fringe benefits	12,000
Mileage/auto	2,234
Dues and memberships	50
Education and training	25
	55
Audit:	14,364
Contracted services	1,813
Board of Review:	
Personnel	624
Fringe benefits	50
Printing and publications	149
General Administration:	823
Personnel	26.041
Fringe benefits	36,041 6,762
Supplies	6,762 3,450
Contracted services	3,430 3,147
Telephone	3,933
Mileage/auto	999
Dues and memberships	1,716
Education and training	18
Printing and publications	1,826
Insurance	10,109
Utilities	4,275
	72,276
	

STATEMENT OF EXPENDITURES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

General Government, continued:

Treasurer:	
Personnel	18,893
Fringe benefits	3,518
Supplies	5,908
Contracted services	603
Mileage/auto	233
Dues and memberships	85
Education and training	204
Printed and publications	121
	29,565
Assessor:	
Contracted services	9,875
Elections:	
Personnel	267
Fringe benefits	50
Supplies	154
Contracted services	64
Mileage/auto	11
Education and training	120
Other	240
	906
Building and Grounds:	
Personnel	6,742
Fringe benefits	539
Supplies	1,540
Contracted services	660
Mileage/auto	5
Repairs and maintenance	4,895
A44	14,381
Attorney:	·
Contracted services	1,568

STATEMENT OF EXPENDITURES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

Cemetery:	
Personnel	2 12
Fringe benefits	3,12
Supplies	23
Contracted services	88
Printing and publications	46 13:
Repairs and maintenance	489
•	
	5,319
Total general government	169,489
Public Safety:	
Liquor Law Enforcement:	
Personnel	1,018
Fringe benefits	189
	1,207
Fire:	
Contracted services	94,241
Protective Inspections and Regulations:	
Personnel	18,883
Fringe benefits	2,180
Supplies	76
Telephone	132
Mileage/auto	39
Dues and memberships	100
Education and training	168
	21,578
Total public safety	117,026
Public Works:	
Drains-Public Benefit:	
Personnel	210
Fringe benefits	16
Contracted services	491
Mileage/auto	158
-	
	875

STATEMENT OF EXPENDITURES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued:

Public Works, continued:	
Highways and Streets:	
Personnel	175
Fringe benefits	21
Contracted services	117,425
Mileage/auto	28
Printing and publications	58
	117,707
Street Lighting:	
Utilities	3,346
Total public works	121,928
Community and Economic Development	
Planning and Zoning:	
Personnel	2,182
Fringe benefits	206
Supplies	476
Contracted services	1,960
Mileage/auto	6
Printing and publications	469
	5,299
Total community and economic development	5,299
Recreation and Culture:	
Parks and Recreation:	
Personnel	7,135
Fringe benefits	515
Supplies	2,805
Contracted services	2,500
Printing and publications	81
Utilities Remains and assistances	368
Repairs and maintenance Rental – equipment	828
Kemai – equipment	236
	14,468
Total recreation and culture	14,468

STATEMENT OF EXPENDITURES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued:

General Government:	
General Administration	2,641
Building and Grounds	3,598
Cemetery	3,223
Demostics w. I.C. k	9,462
Recreation and Culture:	·····
Parks and Recreation	6,005
Total capital outlay	15,467
Total expenditures	
Total expelicitures	<u>\$ 443,677</u>



TOWNSHIP OF SWAN CREEK

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2004

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
TAX COLLECTION FUND				
ASSETS				
Cash and cash equivalents	\$	\$ 1,762,024	\$ 1,762,024	\$ -
LIABILITIES:				
Due to other governmental units	\$ -	\$ 1,762,024	\$ 1,762,024	\$ -

TOWNSHIP OF SWAN CREEK

REQUIRED SUPPLEMENTAL INFORMATION

PENSION SYSTEM SCHEDULE OF FUNDING PROGRESS

March 31, 2004

e) Schedule of Funding Progress

Actuarial Valuation Date	Į	ctuarial 'alue of Assets	A L	ctuarial ccrued iability (AAL)	lerfunded AAL UAAL)	Funded Ratio	overed Payroll	UAAL as a Percent of Covered Payroll
		a		ь	b-a	a/b	С	(b-a)/c
12/31/02	\$	173,409	\$	307,855	\$ 134,446	56.33%	\$ 96,680	139.06%
12/31/01		153,199		265,853	112,654	57.62	87,865	128.21
12/31/00		131,978		218,705	86,727	60.35	77,472	111.94
12/31/99		112,915		173,386	60,471	53.55	68,651	88.08
12/31/98		93,265		149,530	56,265	60.33	64,570	87.14
12/31/97		79,250		110,367	31,117	39.26	51,038	60.96

WATER FUND

SCHEDULE OF DEBT

For the Year Ended March 31, 2004

WATER EXTENSION #9 CONTRACT PAYABLE:

1990, \$115,000 Saginaw County, James, Swan Creek, St. Charles Water Supply Extension #9. Principal and interest are due May 1, interest only is due November 1. The rate varies from 7.0% to 10.0%.

Fiscal Year Ended March 31	In	terest	P	rincipal	Total		
2004	\$	551	\$	15,000	\$	15,551	
	\$	551	\$	15,000	\$	15,551	

WATER EXTENSION #10 CONTRACT PAYABLE:

1990, \$160,000 Saginaw County, James, Swan Creek, St. Charles Water Supply Extension #10. Principal and interest are due May 1, interest only is due November 1. The rate varies from 6.6% to 9.0%.

_	Fiscal Year Ended March 31	In	terest	P	rincipal	Total		
	2005	\$	544	\$	15,000	\$	15,544	
		\$	544	\$	15,000	\$	15,544	

WATER FUND

SCHEDULE OF DEBT, continued

For the Year Ended March 31, 2004

WATER EXTENSION #11 CONTRACT PAYABLE:

1991, \$82,000 Saginaw County, James, Swan Creek, St. Charles Water Supply Extension #11. Principal and interest are due May 1, interest only is due November 1. The rate varies from 6.8% to 9.0%.

Fiscal Year Ended March 31	In	Interest		rincipal	Total		
2005 2006	\$	663 222	\$	6,000 6,000	\$	6,663 6,222	
	\$	885	\$	12,000	\$	12,885	

WATER EXTENSION #12 CONTRACT PAYABLE:

1992, \$185,000 Saginaw County, James, Swan Creek, St. Charles Water Supply Extension #12. Principal and interest are due May 1, interest only is due November 1. The rate varies from 5.9% to 9.0%.

Fiscal Year Ended March 31	Is	Interest		rincipal	Total		
2005 2006	\$	2,308 1,391	\$	13,000 13,000	\$	15,308 14,391	
2007		465		13,000	-	13,465	
	\$	4,164	\$	39,000	\$	43,164	

WATER FUND

SCHEDULE OF DEBT, continued

For the Year Ended March 31, 2004

WATER EXTENSION #14 CONTRACT PAYABLE:

1996, \$57,000 Saginaw County, James, Swan Creek, St. Charles Water Supply Extension #14. Principal and interest are due June 1, interest only is due December 1. The rate is 4.75%.

Fiscal Year Ended March 31	In	terest	P	rincipal	 Total
2005	\$	499	\$	7,000	\$ 7,499
2006		166		7,000	 7,166
	\$	665	\$	14,000	\$ 14,665

WATER EXTENSION #15 CONTRACT PAYABLE:

1997, \$280,000 Saginaw County, Swan Creek, St. Charles Water Supply Extension #15. Principal and interest are due June 1, interest only is due December 1. The rate varies from 4.0% to 5.75%.

Fiscal Year Ended March 31	Interest		F	Principal	Total		
2005	\$	8,200	\$	20,000	\$	28,200	
2006		7,170		20,000		27,170	
2007		6,120		20,000		26,120	
2008		5,050		20,000		25,050	
2009		3,960		20,000		23,960	
2010		2,850		20,000		22,850	
2011		1,720		20,000		21,720	
2012		575		20,000		20,575	
	\$	35,645	\$	160,000	\$	195,645	



60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

MANAGEMENT LETTER

To the Township Board Township of Swan Creek Saginaw County, Michigan

We have completed our audit of the financial statements of the Township of Swan Creek for the year ended March 31, 2004, and have issued our report thereon dated June 20, 2004. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Township board is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Township of Swan Creek taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the Township board and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Berthiaume & Company

Certified Public Accountants

Berthigume & Co.

June 10, 2004